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Message Text

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ORIGIN EB-07

INFO OCT-01 AF-06 ISO-00 AGR-10 CEA-01 CIAE-00 COME-00

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NSC-05 PA-02 AID-05 CIEP-02 SS-15 STR-04 TAR-01

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APPROVED BY EB/IFD/OIA:RJSMITH
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FM SECSTATE WASHDC
TO AMEMBASSY DAR ES SALAAM

UNCLAS STATE 180417

E.O. 11652; N/A

TAGS: EINV, EFIN, EIND

SUBJECT:FOREIGN INVESTMENT CLIMATE AND STATISTICS

REFS: (A) DAR ES SALAAM 2554; (B) STATE 165596

1. AS REQUESTED PARA 7 REF B, COMPUTATION OF BOOK VALUE INVOLVES DETERMINING COMPANY'S NET ASSETS, I.E., ASSETS MINUS LIABILITIES, FROM VALUES AT WHICH THEY ARE RECORDED ON INVESTOR'S BALANCE SHEET. ASSETS (INCLUDING CURRENT ASSETS, FIXED ASSETS, AND INTANGIBLES SUCH AS PATENTS, TRADEMARKS AND GOODWILL) GENERALLY ARE CARRIED AT ACQUISI-TION COST LESS ACCUMULATED DEPRECIATION, DEPLETION OR AMORTIZATION. THE FIRM'S LIABILITIES ARE OFF-SET AGAINST RECORDED ASSETS TO ARRIVE AT THE NET BOOK VALUE OF THE UNCLASSIFIED

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INVESTMENT. IT SHOULD BE NOTED THAT THIS FIGURE BEARS NO NECESSARY RELATIONSHIP TO THE COMPANY'S VALUE AS A GOING CONCERN, OR EVEN TO ITS VALUE IN LIQUIDATION.

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2. THE SPECIFIC EXAMPLES RAISED REF A ARE DISCUSSED BRIEFLY BELOW:

A. FIXED ASSETS INCLUDE LAND AND TANGIBLE PERSONAL PROPERTY EXPECTED TO BENEFIT OPERATIONS OVER A PERIOD OF YEARS. THESE ARE GENERALLY CARRIED ON THE BOOKS AT

ACQUISITION COST LESS (EXCEPT IN THE CASE OF LAND) ACCUMULATED DEPRECIATION OR DEPLETION, AND ARE ESSENTIAL TO ANY COMPUTATION OF BOOK VALUE.

B. INVENTORY, A CURRENT ASSET (ONE CAPABLE OF BEING CONVERTED INTO CASH WITHIN A RELATIVELY BRIEF TIME--USUALLY LESS THAN ONE YEAR--WITHOUT DISRUPTING NORMAL OPERATIONS OF THE BUSINESS), IS GENERALLY RECORDED AT PURCHASE PRICE OR, IF PRODUCED BY THE COMPANY RATHER THAN ACQUIRED THROUGH PURCHASE, AT THE COST OF PRODUCTION. IT, TOO, IS INTEGRAL TO A DETERMINATION OF BOOK VALUE.

C. UNREMITTED PROFITS BEAR DIRECTLY UPON A COMPANY'S NET ASSETS, AND ARE MOST LIKELY TO BE REFLECTED IN THE RETAINED EARNINGS ACCOUNT OR ONE OF ITS SUBDIVISIONS. UNLESS A SPECIAL FUND HAS BEEN CREATED FROM WHICH REMITTANCES ARE TO BE PAID, HOWEVER, THESE ARE NOT LIKELY TO BE RECORDED DIRECTLY IN ANY ASSET ACCOUNT. INSTEAD, THEY ARE THE SOURCE OF OTHER RECORDED ASSETS, E.G., CASH OR ACCOUNTS RECEIVABLE, WHICH MAY IN TURN BE USED TO DIMINISH THE FIRM'S OUTSTANDING LIABILITIES.

D. WORKING CAPITAL--CURRENT ASSETS MINUS CURRENT LIABILITIES (THOSE WHICH MUST BE PAID WITHIN A RELATIVELY BRIEF PERIOD, USUALLY ONE YEAR)--IS SIGNIFICANT IN EVALUATING A COMPANY'S.SHORT-TERM LIQUIDITY, AND ITS CONCOMITANT ABILITY TO MEET ITS SHORT-TERM DEBT, TO PAY CASH DIVIDENDS, ETC. WORKING CAPITAL ITSELF, HOWEVER, IS NOT AN ASSET. OF COURSE, THE ELEMENTS WHICH AFFECT THE AMOUNT OF A COMPANY'S WORKING CAPITAL, VIZ., CURRENT ASSETS AND UNCLASSIFIED

LIABILITIES, ARE TO BE CONSIDERED TOGETHER WITH OTHER ASSETS AND LIABILITIES IN DETERMINING BOOK VALUE.

3. AS USED PARA 7(A) REF B, "PETROLEUM" ENCOMPASSES ALL PETROLEUM-RELATED ACTIVITIES, INCLUDING MARKETING.

4. GUIDANCE PROVIDED PARAS. 1 AND 2 INTENDED PRIMARILY FOR POST'S BACKGROUND. IN PRACTICE, WE RECOGNIZE THAT PRECISE INFORMATION MAY BE DIFFICULT TO COME BY, AND THAT WE MAY HAVE TO RELY ON ESTIMATED VALUES. DEPARTMENT NEVERTHELESS APPRECIATES EMBASSY'S THOROUGHNESS, AND LOOKS FORWARD TO RECEIVING COMPLETED NARRATIVE AND STATISTICAL ANALYSES. INGERSOLL

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